

## VP Bank Investment Outlook for 2019:

### Investors to mitigate risk as global economy paints a picture of uncertainty

Singapore, 17 January 2019

#### **Stay invested within your risk capacity and avoid concentrated risks with diversification across asset classes - Dr Felix Brill, Chief Investment Officer, VP Bank Group**

Risk assessment and management are set to be buzzwords for 2019 as VP Bank announced its 2019 Global Investment Outlook. The Liechtenstein-based boutique private bank forecasted a year plagued with uncertainty in the global economy, as political uncertainties continue to weigh on economic sentiment. As the global economy shifts into lower gear, slower economic growth is also anticipated. Brill opines however that not all is bleak as both the US economy and the Eurozone are still growing above the long-term potential - an indication that labour markets are likely to improve further. The combination of slower, but relatively positive economic growth and moderate inflation in advanced economies could prove beneficial in extending the current economic cycle. In the short term, VP Bank sees limited risks for a recession in the US and Eurozone.

Investors are to expect higher volatility and strong swings in market sentiment for the time-being as the world turns their attention to the US-China trade wars, as well as the partial government shutdown. From a long-term structural point of view, Brill shared that the Chinese economy faces substantial challenges which in part are attributed to the country's economy transformation from export-driven to consumption driven growth. Currently, bottom-up activity data such as export orders and passenger car sales shows a clear slowdown of the Chinese economy which reflects the uncertainties and headwinds stemming from the trade conflict. While this may pose as a cause for concern to investors, VP Bank is optimistic that the Chinese authorities will deploy additional measures to stimulate and support the economy as seen from their successful track record. On the US front, the bank notes that with the recent deterioration of leading indicators and on-going government shutdown, chances are high that the Fed will take a more cautious stance and pause the rate hike cycle in the first half of 2019. Up to three rate hikes are expected later this year should the economy gain traction again.

Assessing the year ahead, Brill said, "Investors should stay invested within their risk capacity and avoid concentrated risks. It is also timely to consider diversification across asset classes. Adding gold within one's portfolio will also be an effective hedge against financial risks for investors. Investors should keep some dry powder to capitalise on opportunities when it arises, while assessing the credit risk exposure."

Brill is also bullish on investment themes like the China Consumer Basket and Global Healthcare.

China has been in a phase of transformation for several years now and its economic growth should be based more broadly on domestic consumption and less on the country's still enormous export surplus. The aim is to make China less dependent on global trade, and evolve to a services-oriented economy rather than just a low-cost production site. The current trade dispute with the US underscores the necessity for such a metamorphosis.

Based on China's foreseen income growth, changing demographic conditions, and also upcoming technological developments and modern consumer trends, VP Bank identified six industrial sectors that should benefit in the coming years from particularly strong demand. They include:

- **Healthcare and Insurance:** An ageing population demonstrates increased demand for medical services, nursing care, pharmaceutical products and dietary supplements.
- **Technology and Telecommunications:** The master plan "Made in China 2025" prescribes that China is to metamorphose from a pure manufacturing location to a technology leader.
- **Luxury Goods and Leisure Time:** Every third dollar (equivalent) spent on luxury goods comes from China. A study by Bain & Company also confirms that China has the highest growth rates in the luxury sector, while another study by Goldman Sachs show that higher incomes above a certain threshold are increasingly used for leisure and wellness.
- **Retail and e-Commerce:** China is the largest e-commerce market in the world. More than half of all online retail sales are made by the Chinese and the domestic market will grow by a further 20% before the end of 2020.
- **Training and Continuing Education:** Education is a crucial factor for becoming a technology leader. The Chinese state needs a more highly educated populace if it wishes to realise its transformation plans.
- **Environmental Protection and Energy Efficiency:** China continues to be regarded as the world's most flagrant environment wrongdoer. The powers that are in Beijing are aware though, that only sustainable approach to growth can guarantee China's success.

Opportunities abound also for investments involving global healthcare. Specific to the US, statistics have shown that the FDA has approved more than 100 mobile health apps and digital therapies can drive up to \$300bn in healthcare system savings. The healthcare IoT is also expected to create a \$40bn market in the next decade in US only.

New challenges, but also the torrid pace of technological change, are driving a highly dynamic trend that portends above-average growth potential. The digitalisation of diagnostic, treatment and administrative processes, in combination with more affordable medications, increases the public's access to health care as well as structurally broadens the range of services and their effectiveness. Economic challenges will drive the trend towards holistic care concepts and cheaper drugs. The rapid pace of innovation in terms of medical technology will lead to more efficient and much more flexible diagnostics and patient care. The future drivers of global healthcare can be addressed under four categories:

- **Ageing:** Demographics force structural challenges for the industry but opens broad sets of opportunities as well
- **Economy:** Tighter healthcare budgets create the urgency to optimise healthcare costs
- **Digital:** Digitising the health care value chain optimises costs and improves care effectiveness
- **Health-Tech:** Ageing and the strong focus on health living drives the future of healthcare technology

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## Agenda

Media and analysts conference - 2018 Annual Results	5 March 2019
2019 Annual General Meeting of Shareholders	26 April 2019
Round Table - 2019 Semi-annual Results	20 August 2019

### Facts & Figures VP Bank Group

VP Bank AG was founded in 1956 and is one of the largest banks in Liechtenstein with 892 employees at mid-year 2018 (full-time equivalent 828). It currently has offices in Vaduz, Zurich, Luxembourg, Singapore, Hong Kong, Moscow and Road Town on the British Virgin Islands. VP Bank Group offers bespoke asset management and investment consultancy for private individuals and intermediaries. Due to the open architecture, clients benefit from independent advice: The products and services of leading financial institutions as well as in-house investment solutions are included in client recommendations. VP Bank is listed on the Swiss stock exchange SIX, and has an "A" rating from Standard & Poor's. The bank has a sound balance sheet and capital base. Its anchor shareholders take a long-term view, guaranteeing continuity, independence as well as sustainability.

### Facts & Figures - VP Bank Ltd Singapore Branch

VP Bank Ltd Singapore Branch is a boutique private bank with a client-centric business philosophy and is the Asian branch of the Liechtenstein-based VP Bank Group with more than 60 employees.

Established in 2008, VP Bank Ltd Singapore Branch provides specialised wealth management solutions and family office services for high-net-worth clients and professional asset managers.

VP Bank Ltd Singapore Branch is dedicated to the protection and growth of clients' wealth. The bank offers a holistic suite of services and advisory, not just in wealth management, but also in inheritance planning, structuring of trusts and foundations, as well as art and philanthropy. Apart from private wealth management, VP Bank Ltd Singapore Branch provides comprehensive services for asset managers and other financial intermediaries. The service offering comprises a trading platform, banking services including ebanking and mobile banking and operational support. Partnership arrangements with professionals include tailor-made investment advisory, discretionary management solutions and custodian services.